

Message Text

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ACTION EUR-12

INFO OCT-01 AF-06 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 SAM-01 SAJ-01 /094 W

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R 301637Z OCT 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 4783

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY MADRID

AMCONSUL OPORTO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMCONSUL PONTA DELGADA

AMEMBASSY ROME

USMISSION NATO

AMEMBASSY THE HAGUE

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E.O. 11652: N/A

TAGS: ECON, PO

SUBJ: INCREASED GOVERNMENT POWERS TO INTERVENE PRIVATE
BUSINESS

REF: (A) LISBON 5266 DTG 021410Z OF DEC 2, 1974 (NOTAL)

(B) LISBON 2869 DTG 221041Z OF MAY 22, 1975 (NOTAL)

1. DECREE LAW 597/75 DATED OCTOBER 28, 1975, INCREASES GOP
POWERS TO INTERVENE PRIVATE COMPANIES (SEE REFTELS).

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2. TEXT OF THIS LATEST DECREE CLAIMED THAT SLOW

BUREAUCRATIC PROCESSES OF PREVIOUS INTERVENTION LAW HAVE IMPEDED TIMELY IMPLEMENTATION OF INTERVENTION DECISIONS. THUS, BY TIME INTERVENTION COMPLETED, PROBLEMS OF RECOVERY OR EVEN SURVIVAL ARE ALMOST INSUPERABLE. INCREASING NUMBER OF SUPPLIERS/CREDITORS HAVE BEEN AFFECTED BY SUSPENSION OF DEBTS AND BANKRUPTANCY PROCEEDINGS AGAINST FIRMS INTERVENED UNDER PREVIOUS INTERVENTION LAW AND, IN TURN, HAVE HAD TO REQUEST INTERVENTION. THIS TREND WILL TEND TO BECOME UNCONTROLLABLE. THE STATE IS THUS OBLIGED TO ASSUME GROWING BURDENS AND TO CREATE COMPLEX NETWORK OF DEPENDENCIES, A PROCESS WHICH WILL NOT ASSIST ECONOMIC RECOVERY.

3. NEW DECREE, THEREFORE, AUTHORIZES "EXCEPTIONAL" FORM OF RAPID INTERVENTION IN CASE OF PLANT CLOSURES, THREAT OF SIGNIFICANT DISMISSALS WITHOUT JUST CAUSE; ABANDONMENT OF FACILITIES; OR REPEATED SLOWNESS OR FAILURE TO MEET OBLIGATIONS. WITHOUT WAITING FOR AN INQUIRY, FINANCE MINISTRY AND CONCERNED MINISTRY CAN JOINTLY APPOINT NEW DIRECTORS, WITH OPTION OF PROVISIONALLY SUSPENDING EXISTING MANAGERIAL PERSONNEL. DIRECTORS NAMED BY GOP WILL ANSWER DIRECTLY TO CONCERNED MINISTRY AND ENJOY ALL LEGAL POWERS. IF ANY PART OF PREVIOUS ADMINISTRATION IS RETAINED, GOP-APPOINTED DIRECTORS WILL HAVE TO APPROVE ALL DECISIONS.

4. COMMENT: GOP'S CONCERN ABOUT VIRTUALLY UNCONTROLLED WAVE OF INTERVENTIONS--195 TO DATE--IS FULLY JUSTIFIED. ALTHOUGH NEW DECREE IS EFFORT TO DECREASE NEED FOR FURTHER INTERVENTIONS BY ACTING PROMPTLY, IT COULD GIVE RISE TO ACCELERATED PACE OF INTERVENTIONS IF A GOVERNMENT CHOSE TO USE IT IN THAT MANNER. DECREE IS OPEN-ENDED INVITATION TO INTERVENE AT SLIGHTEST HINT OF DIFFICULTY IN A FIRM. IT DOES NOTHING TO NARROW THE PRESENT BROAD RANGE OF RATIONALES FOR INTERVENTION NOR RESTRICT THE GOP'S ALMOST UNLIMITED OPTIONS FOR ACTION.
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